How the Electronic Data is Used?

During the audit process:

The electronic information is used in the same method as in a standard paper audit. The difference is that the records or summary reports are reviewed electronically rather than in hard copy format.

What happens to the data when the audit is complete:

The original data is returned to the taxpayer or destroyed at the taxpayer's request. Necessary data is maintained in the auditor's file.

Security of the Data.

How secure is the data:

The information provided during the audit is protected by law. The secrecy clause that each Department of Revenue employee has signed applies to both electronic and hard copy data. The data is maintained on a secure workstation while the audit is performed.
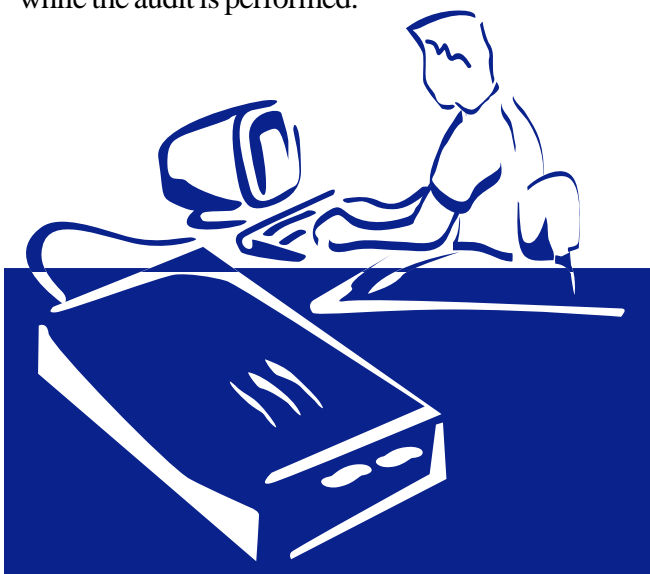
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For more information on state excise taxes, please visit our Internet site at:

http://dor.wa.gov

or call Department of Revenue Telephone Center at:

1-800-647-7706

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Computer Assisted Audit Program

Washington State
Department of Revenue

REVENUE

What is the Computer Assisted Audit Program?

The Computer Assisted Audit Program (CAAP) provides a means to gather and review taxpayer data in an electronic format rather than in hard copy format. The taxpayer provides the information and records necessary for the audit to the Department of Revenue in an electronic format.

A computer assisted audit often reduces the taxpayer's time, effort, and resources necessary to conduct an audit of numerous transactions. Relevant accounts (accounts of interest) are identified and electronically segregated by dollar amount. A random sample of transactions is selected. Only invoices for that sample are required to be provided for review. Any tax or credit amounts due from the review are extrapolated over the account totals to determine the audit results.

CAAP also provides many other services for taxpayers and auditors. Examples include summarizing electronic data, and data conversions.

Who can use a Computer Assisted Audit?

Many taxpayers have made a significant investment in computerized accounting records whereas others have not. Not all records need to be electronic to benefit from computer assisted audit techniques.

Capital assets may be reviewed manually while sales and payables are summarized or sampled electronically.

A questionnaire and initial conference are two of the ways used to determine whether or not the taxpayer is a good candidate for CAAP.
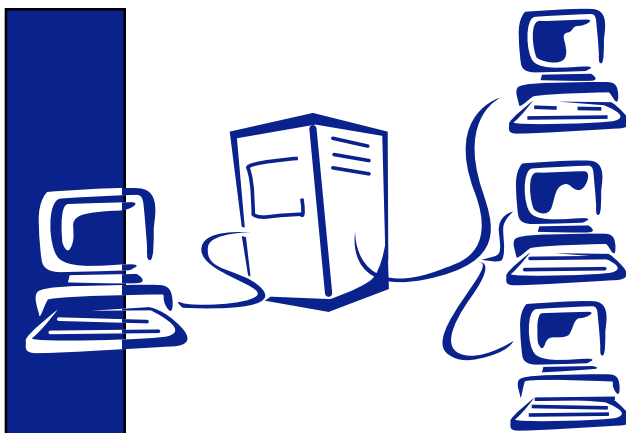
What are the Benefits of a CAAP Audit?

- With information on disk, tape, or cartridge, auditors spend less time at the taxpayer's place of business. This makes the audit process less disruptive to business activities.

- Less chance for input errors by the auditor, transactions are reviewed as they were entered into the taxpayer's system.

- Less printing of records due to electronic data - saves trees!

- Maximizes consistency and fairness obtained from the efficiencies related to stratified sampling.

- Minimizes the review of support documentation while maintaining sound auditing procedures.

- Computerized statistical sampling proves to be more accurate in obtaining a dependable, representative sample.

- Allows continual access and review of data throughout the audit process.

- Provides a foundation for auditing in an Electronic Data Interchange (EDI) environment.

The Computer Assisted Audit Process.

Step One: Opening Conference
A conference may be scheduled to include the auditor, computer audit specialist (CAS), and the taxpayer's tax department and information services staff. The objective of this conference is to determine if CAAP is a viable option and to select the most appropriate audit techniques to be used in each area of the audit. The following topics are discussed:

- General audit procedures
- Computer assisted audit procedures
- Records transfer process
- Sampling issues if relevant

Step Two: Data Retrieval and Integrity
The Department has the ability to accept data in many different formats and process the data into a useable PC format.

The electronic information received is verified for accuracy and completeness. For example, monthly totals from the electronic records may be traced back to the general ledger.

Step Three: The Statistical Sample
The CAS will develop a statistical random sample using Department approved software packages.

Stratification of the sample will be done in most cases based on a dollar range. The auditor will then review the sample and detail any adjustments found. The CAS will evaluate the sample based on statistical criteria.